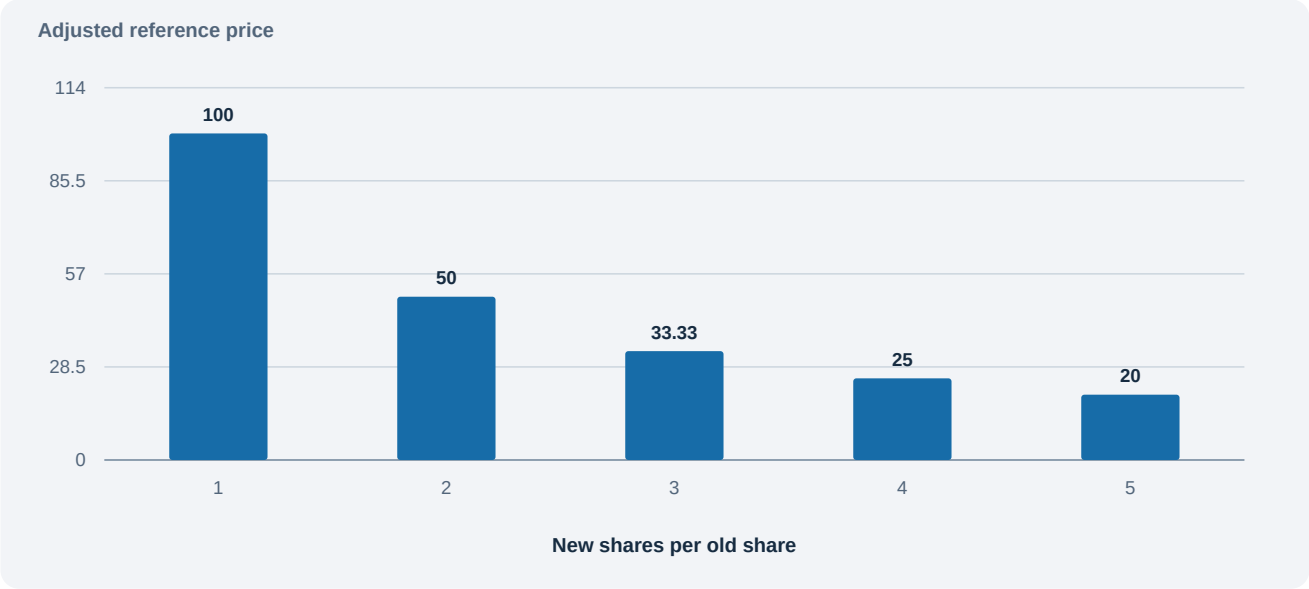
Mechanical stock-split adjustment

Fundamental ratios | Original synthetic example | Edition 2026-11-26

A mechanical stock split changes shares and the reference price inversely, leaving position value unchanged before market movements and frictions. A split itself does not create economic profit.

FORMULA New shares = old shares x split factor; new reference price = old price / factor

SCENARIO 01: Before split: 100 shares at 100; value 10000



WORKED EXAMPLE

A 3-for-1 split makes 300 shares at 33.33 reference price; value remains 10000 before market moves.

COMMON MISTAKE

Calling the lower post-split quote a loss ignores the increased number of shares held.

BEFORE YOU USE THE CALCULATION

1. Apply the split to price and quantity.
2. Reconcile position value.
3. Check fractional-share and corporate-action handling.

COMPARE TWO MORE INPUT SETS

Scenario 05: Before split: 100 shares at 140; value 14000. A 3-for-1 split makes 300 shares at 46.67 reference price; value remains 14000 before market moves.

Scenario 10: Before split: 100 shares at 190; value 19000. A 3-for-1 split makes 300 shares at 63.33 reference price; value remains 19000 before market moves.

Synthetic values are not historical market data. Educational material; trading can result in substantial losses.